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Summer 5-27-2016

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### Recommended Citation

Cheng, Xiaoman and Xu, Deng, "Links between Psychological Contract and Job Performance of Employee in E-Business Company" (2016). *WHICEB 2016 Proceedings*. 69.

<http://aisel.aisnet.org/whiceb2016/69>

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# Links between Psychological Contract and Job Performance of Employee in E-Business Company

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**Abstract:** The performance of staffs directly determines competitive power of enterprise in fierce market, and it also influences the long-term development of enterprise. If enterprise motivate employees only by virtue of economic contract, it cannot effectively assure staff performance, because psychological contract also affects employee's work behavior and work attitude. This is especially notable in E-Business company because most E-business companies have a high turn-over rate and most of their employees are 80s or 90s. The essence of enterprise competition is talents, the emphasis on psychological contract can effectively reduce employee turnover rate and improve employee's working efficiency in E-Business company. This paper sums up the connotations and features of psychological contract and job performance and puts forward relationship model of psychological contract and job performance. We make employees of Y company as the object of empirical study and carry out questionnaire research, use SPSS software to develop statistical data analysis. It shows that psychological contract has significant positive effect on job performance of E-business company. Finally, this paper puts forward some management strategy for enterprises to enhance psychological contract of employees according to the result of survey.

Keywords: E-business, psychological contract; job performance; human resources

## 1. INTRODUCTION

As the competition among enterprises is becoming fiercer and fiercer, the turnover situation of talents directly influences the survival and development of enterprise. Human resources department is committed to effectively improve enthusiasm of staffs and give full play to staff's ability to tap the potential of employees, then improve staff performance. Psychological contract is a root of "invisible, informal" psychological link between enterprises and employees, although it has difference with contracts which have legal effect in formal terms, but it plays a decisive role in enterprise behavior and staff attitude. In relation to the contract, psychological contract can reflect their subjective understanding of responsibilities and obligations, therefore the fulfillment of enterprise promises is the base of owning efficient and high-quality staffs. Psychological contract can make both enterprise and staffs to act in a way which can maintain a long-term trust.

Y International E-business Co., Ltd. is an import and export enterprise approved and established by Shandong Province Economic and Trade Commission in China, the employee turnover rate in 2014 is as high as 28%. At the same time, there are still many other problems. For example, employees' weak sense of belonging, low work efficiency, willingness of changing job etc. Human resources department made great efforts in the staff salaries, benefits and working conditions, but the effect was not obvious. Psychological contract can describe and explain the important content of the relationship between enterprise and staffs, so it plays a great role in solving the problem of staff management of Y Company. Therefore, studying the relationship between psychological contract and job performance of employees in Y Company can help human resources department explore an effective way to improve the employee's psychological contract. And it also provides an experience reference for enterprise human resources management.

I take employees in Y Company as the research object to study the relationship between psychological

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contract and job performance by empirical research. I summarize theory frame and put forward corresponding management measures. The main contents include five aspects:

1 Literature combing. Reviewing and collating the literature related to psychological contract and job performance, and putting forward my own views, so as to comb the results of the predecessors and viewpoint.

2 Contents and measures of psychological contract and job performance. Through literature review of content and dimension classification of psychological contract, job performance, combined with the actual research, I set up the corresponding survey issues.

3 Relationship model between psychological contract and job performance and data processing. Building relationship model between psychological contract and job performance, and verifying the relationship by SPSS software.

4 Put forward measures for Y Company to strengthen psychological contract and improve management of company's job performance. Based on data analysis of this paper, I put forward measures to strengthen psychological contract and improve employee job performance of Y Company, and provide reference for other similar enterprises.

Previous studies were mostly carried out by western scholars under western market and economic circumstances, this probably cannot apply to Chinese enterprises. So we need to implement more empirical study on eastern enterprises because of cultural and social difference. Moreover, the rigorous relationship between psychological contract and job performance may vary from industries. There are few researches using E-business company as empirical subject when studying the relationship between psychological contract and job performance. So it has a significant meaningless to carry out empirical study of E-business company under eastern market and economic environment.

## 2. RESEARCH DESIGN

### 2.1 Defining concept

**Psychological Contract.** Organizational psychologist Argylis firstly used the term "psychological work contract"<sup>[1]</sup>. The concept is mainly to express that there is still an unstated common expectation which we all know in enterprise relationship between employees and enterprises in addition to terms involved in formal labor contract, which affects employee's work attitude and work behavior. After that, Levinson and other researchers investigated an administrative institution, and stated that psychological contract is an intangible contract between employees and organization, which represents expectations of employees and enterprises<sup>[2]</sup>. Sehein defined psychological contract as an unstated expectation between every employee and enterprise leaders or other staffs in any business<sup>[3]</sup>. Psychological contract exists in two aspects of employee's individual and enterprise. Wei Feng, Zhang Wenxian think that psychological contract refers to the invisible common cognition of responsibility and obligations between the employees and corporate, which is not completely realized by corporate leaders<sup>[4]</sup>.

Robinson, Kraatz and Rousseau pointed out that this common perception embodies employees to believe that enterprises will give him a reasonable salary, promotion opportunity, stable job security because of their work ability, emotion and attitude and working maintenance for enterprise<sup>[5]</sup>. Yu Chen investigated and pointed out whether employees have stocks shares affects degree of psychological contract with enterprise.<sup>[6]</sup>

Psychological contract can be understood as the understanding on mutual responsibilities and obligations between employees and enterprises. This kind of understanding doesn't have a written document to clear it, but it performs on unspoken subjective commitment of staffs and enterprise. Due to relative obligations and responsibilities of psychological contract between enterprise and workers, many scholars divide psychological contract into three dimensions: material incentives/ environmental support/ development opportunities,

performance returns/ career growth opportunities/ commitment to employees and transactional dimension/ relational dimension/ team member dimension<sup>[7][8][9]</sup>.

In summary, some scholars understand psychological contract from both employees and enterprise, while another scholar believe that enterprise spokesperson is difficult to define, so employees perceive "belief system" is psychological contract. Li Yuan and Guo Dejun think both employees and enterprise need to adhere to the responsibility of both parties.<sup>[10]</sup>

**Job Performance.** The performance of staffs determines output of enterprise, which affects survival and development of enterprise, and the importance to enterprise cannot be underestimated. Enterprise has development target in competitive environment, staffs also has their goal in work, and the measurement of completion degree of staffs for enterprise's goal is called performance.

Job performance is the degree that enterprise employees achieve job target, and it can be used to measure performance of employees' current work. The task of enterprise is subdivided to each functional department, then functional department subdivides to each employee, so employees' completion of performance is to help enterprise accomplish enterprise target. Some scholars divided job performance into task performance and environmental performance, Chinese scholars Tang Chunyong, Zhang Shuxi think these two dimensions is also applicable in context of China<sup>[11]</sup>. Another two scholars divided job performance into two dimensions: task performance and contextual performance<sup>[12]</sup>.

Some researchers conclude that the higher the psychological contract of employees is, the higher the job performance is<sup>[13][14]</sup>. The relativity between psychological contract and job performance varies from different groups. For counsellors in university, psychological contract has a significant positive influence on task performance and innovation performance, but its influence on contextual performance is not significant<sup>[15]</sup>.

## 2.2 Model Construction of the relationship between psychological contract and job performance

Psychological contract includes organizational psychological contract and employee psychological contract, but agents of organizational psychological contract are difficult to define and organizational psychological contract is difficult to measure. Therefore, this paper takes employees as research subject and measure psychological contract through perspective of employees. In this paper, I use three-dimensional structure of transaction dimension, relationship dimension and team member dimensions of psychological contract. This study uses two dimensions of task performance and environmental performance to measure the performance according to research of Chinese scholars Tang Chunyong, Zhang Shuxi .

Therefore, this study proposes the relationship model between employee psychological contract and job performance as following figure 2-1.

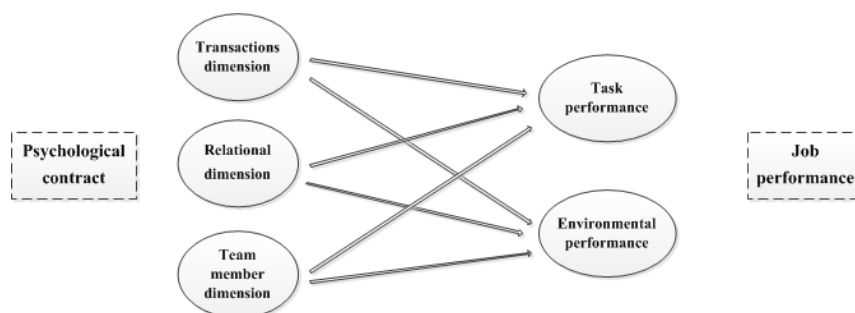


Figure 2-1 Relationship model between psychological contract and job performance

## 2.3 Research hypothesis

According to description of psychological contract and work performance model above, this paper puts forward following hypothesis:

H<sub>1</sub>: The transaction dimension of the psychological contract between the enterprise and employees has a

significant positive effect on the job performance;

H<sub>2</sub>: The relationship dimension of psychological contract between enterprise and employees has a significant positive impact on the job performance;

H<sub>3</sub>: The team member dimension of psychological contract between enterprise and employees has a significant positive effect on the job performance;

### 3. DATA COLLECTION

#### 3.1 Questionnaire design

Before the study, I look up to reference of questionnaire used by Chinese researcher Chen Jiazhou, Ling Wenquan in research <sup>[16]</sup>. Peng Chuanyu proposed that gender, age and position have a significant impact on employee psychological contract through investigation <sup>[17]</sup>. According to interpretation of above relationship model of each dimension, I design investigation questionnaire of Y company employee psychological contract and job performance relationship. Questionnaire survey uses Likert scale (5 points), specific for: "strongly disagree", "don't disagree", "general", "agree", "strongly agree." The questionnaire included three parts, each dimension of psychological contract and job performance is corresponding to problems:

(1) Basic information of samples. Including four individual characteristics like gender, age, education and position of samples, which facilitates the follow-up of difference test.

(2) Employee psychological contract. Including transaction dimension, relationship dimension, team member dimension 12 questions altogether.

(3) Job performance. There are 8 questions altogether about task performance and environmental performance.

#### 3.2 Sample characteristics

The questionnaire was commissioned to human resources department for distribution and recovery. We provided 127 questionnaires, 103 valid samples were obtained. The sample features of the 103 valid questionnaires are as follows:

Table 3-1 Sample characteristics of questionnaires (N=103)

Characteristic variable	Category	Number	Percent
Gender	Male	54	52.4%
	Female	49	47.6%
Age period	Below 25	36	34.9%
	26-30	24	23.3%
	31-35	19	18.4%
	36-40	15	14.6%
	Above 41	9	8.7%
Academic degree	Specialist / below	49	47.6%
	Bachelor	40	38.8%
	Master/ above	14	13.6%
Position	General employee	89	86.4%
	middle-level cadre	10	9.7%
	senior leader	4	3.9%

#### 3.3 Reliability test and validity test

The test result of Cronbach coefficient of the scales is as follows:

Category	Cronbach coefficient	Items Number
Total scale	0.804	20
Psychological contract	0.750	12
Job performance	0.728	8

The Cronbach coefficient of all crowns in the table is more than 0.6, which shows the reliability of the two dimensions of table scales is good.

KMO and Bartlett test results of psychological contract are  $KMO > 0.8$  and the significance of the Bartlett test results  $0.00 < 0.05$ , so the scale is suitable for factors analysis.

**KMO and Bartlett test**

KMO Measure of Sampling Adequacy		.831
Bartlett Test of Sphericity	Approx. Chi-Square	152.641
	df	66
	Sig.	.000

Total variance explanation of factor analysis is in the following table, there are three factors whose characterized value are more than 1, the cumulative contribution rate of three factors reaches 86.779%, greater than 60% of the general requirements, it means the construct validity of scale meets requirements.

**Total Variance Explained**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	10.240	68.270	68.270	10.240	68.270	68.270	4.441	29.608	29.608
2	1.737	11.582	79.852	1.737	11.582	79.852	4.353	29.018	58.626
3	1.039	6.927	86.779	1.039	6.927	86.779	4.223	28.153	86.779

Extraction Method : Principle Component Analysis .

Rotated component matrix results are as follows: The first factor variable basically reflects the staffs' emphasis on enterprise economic contract, including problem A1, A2, A3, A4, so I name this factor "transaction dimension"; the second factor basically reflects the employee contract of enterprise long-term social emotional emphasis, including question B1, B2, B3, B4, I name this factor "relational dimension"; the third factor basically reflects the staffs' emphasis on enterprise interpersonal care, including C1, C2, C3, C4, I name this factor "team member dimension".

**Rotated component matrix <sup>a</sup>**

	Component		
	1	2	3
A1	<b>.823</b>	.348	.246
A2	<b>.844</b>	.286	.303
A3	<b>.794</b>	.376	.358
A4	<b>.811</b>	.416	.185
B1	.391	<b>.776</b>	.277
B2	.364	<b>.799</b>	.328
B3	.355	<b>.828</b>	.295
B4	.330	<b>.811</b>	.311
C1	.330	.243	<b>.811</b>
C2	.226	.214	<b>.877</b>
C3	.224	.267	<b>.874</b>
C4	.222	.277	<b>.844</b>

Rotated component matrix results are as follows: The first factor variable basically reflects proficiency and effectiveness of the staff task complement, including problem D1, D2, D3, D4, I name this factor "task performance"; the second factor basically reflects staff willing to help colleagues to complete related works, including problem E1, E2, E3, E4, I name this factor "environmental performance".

Rotated component matrix

	Component		
	1	2	
D1	<b>.892</b>		.221
D2	<b>.856</b>		.376
D3	<b>.832</b>		.407
D4	<b>.796</b>		.428
E1	.322		<b>.860</b>
E2	.334		<b>.878</b>
E3	.345		<b>.855</b>
E4	.361		<b>.861</b>

#### 4. Regression analysis of psychological contract and job performance

This part uses multiple regression, taking the psychological contract of transaction dimension as independent variable  $X_1$ , relationship dimension as independent variable  $X_2$ , team member dimension as independent variable  $X_3$ , job performance as variable  $Y$  (task performance as independent variable  $Y_1$ , environmental performance as independent variable  $Y_2$ ).

Table4-1 Regression of the dimensions of psychological contract to job performance

Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.223	.207		1.074	.285
	Transaction dimension	.433	.062	.485	6.953	.000
	Relational dimension	.359	.063	.360	5.692	.000
	Team member dimension	.156	.057	.183	2.748	.007

a. Dependent variable : Job performance

The adjoin probability of constant probability value  $p$  is more than 0.05, which shows constant term has no significant effect on job performance. Probabilities  $p$  of transaction dimension, relational dimension, team member dimension of psychological contract are both less than 0.05, indicating that transaction dimension, relational dimension, team member dimension has significant influence to job performance. Regression equation is:

$$Y = 0.433X_1 + 0.359X_2 + 0.156X_3 + a$$

Regression equation proves that the hypotheses of  $H_1$ - $H_3$  are correct. That is  $H_1$ : transaction dimension of psychological contract between enterprises and employees has significant positive influence on job performance;  $H_2$ : relational dimension of psychological contract between enterprises and employees has significant positive influence on job performance;  $H_3$ : team member dimension of psychological contract between enterprises and employees has significant positive influence on job performance; Limited by space for article length, we do not show the regression analysis process of three dimensions of psychological contract and task performance and environmental performance. The result is that every dimension of psychological contract has a significant positive influence on task performance and environmental performance. That shows an improvement of three dimensions of psychological contract can increase both two dimensions of job performance.

## 5. Research Conclusions and Suggestions

### 5.1 Research Conclusion

According to the empirical analysis in the fourth part, the conclusions of this study are as follows:

1 Influence of individual characteristics on psychological contract and job performance

1) Gender. There is no big difference between psychological contract and job performance of male and that of female.

2) Age. The employees under 25 years old in psychological contract and job performance is slightly lower than 41 years of age, but the overall age has no significant effect on psychological contract and job performance.

3) Education. There are significant differences between psychological contract and job performance of the junior colleges/below and staffs with master degree/above.

4) Position. Ordinary staffs and senior leadership have significant differences in psychological contract; ordinary staffs and middle level cadres and senior leaders have significant differences in job performance.

#### 2 Effect of psychological contract and its dimension on job performance

These three hypotheses  $H_1$ - $H_3$  are confirmed. Psychological contract between enterprise and employees has a significant positive influence on employees' job performance; Transaction dimension, relational dimension, team member dimension of psychological contract between employee and enterprise have significant positive influence on job performance.

### 5.2 Management Recommendations

According to the results of empirical study, we provide management suggestions for Y Company:

#### 1 Strengthen psychological contract degree of employees

Analysis of the data shows that employees' psychological contract and its dimensions have a significant effect on the job performance, so company must pay more attention to psychological contract between employees and organization, including transaction dimension, relational dimension, team member dimension. In the past, company used to only focus on transaction dimension, emphasizing opportunity of wages, bonuses, benefits and salaries, but these are not enough. Companies also need to pay attention to relationship dimension. Organizations should focus on the broader and long-term future development of employees and social emotional interaction by carrying out training and education, establishing good promotion mechanism, providing a stable job security and staff career planning. Similarly, companies cannot ignore effects of team member dimension, they should be concerned about employees' personal life and growth, create good working conditions, ensure employee unity harmony while providing employees enough autonomy.

#### 2 Actively caring company new employees, providing good training and promotion channels

The research results show that employees under age of 25 has lower scores in terms of psychological contract and job performance than any other age group employees, which suggests that new employees and organizational psychological contract relationship is not strong and their work performance also needs to be improved. Companies should provide for young employees enough psychological care from the recruitment stage by organizing useful training, enhancing work ability of staffs, providing clear promotion channel, and making young people look forward hope and space of growing and improvement.

#### 3 Establish fair and reasonable salary system

The results of descriptive statistics show that the three items that employees are the most dissatisfied with are wages, working conditions, allowances and benefits that company provides. Company should establish a fair and reasonable compensation system. On one hand, the compensation company provides should has certain competitive power compared with the same type of companies, otherwise, it cannot solve high turnover rate problem of company; on the other hand, the company's performance appraisal specifications must be standardized to let employees feel that internal compensation is fair and reasonable so as to increase staff's satisfaction. At the same time, the company can carry out more activities to show recognition of outstanding talents and improve psychological contract between talents and organization to retain talents for company.

### 5.3 Deficiencies and Prospects

1 In view of limitations of time and resources, this study has following deficiencies:



1) Limited by the number of employees in firm we surveyed, there are only 103 of respondents. If we expand survey samples, the data collected will be more convincing;

2) This paper does not explore similarities and differences of psychological contract and work performance between E-business enterprises and enterprises in other industries.

2 Future research can be carried out from the following aspects:

1) Since psychological contract and job performance are dynamic variables, we can consider to study a group of subjects in different time points to analyze trajectories and patterns of psychological contract and job performance of dynamic change;

2) We can explore psychological contract and job performance of different industries, and summarize the characteristics of psychological contract and job performance in different industries.

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